

DISCUSSION PAPER ON "MIXED" BASKET CONCEPT
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The WIC EBT Vision contains two guidelines that are central to a discussion of the mixed basket concept:

- Improve client services through simplified point-of-sale transactions and greater shopping convenience; and
- Make WIC benefit redemption and payments more efficient for retailers.

The mixed basket concept is the system functionality that allows the retailer's front-end system (check-out lane) to process a transaction that contains WIC prescribed food items, Food Stamp eligible food items, other food items, and non-food items without requiring the individual items to be separated by either Federal Program type or payment tender type before the purchase transaction/redemption begins.

The Texas Department of Health is executing contracts with major retail grocery chains to develop integrated systems to accommodate WIC EBT. These contracts will allow the expansion of WIC EBT to other States with little or no additional software development costs to FNS.

The New Mexico/Texas WIC EBT projects will include the mixed basket feature in those stores that operate integrated front-end systems. The mixed basket concept is not a feature of the stand-beside systems that will also be deployed in both States.

The contracts include attachments with functional and detailed design requirements that the retailer community must implement, including the mixed basket functionality. In order to commence its pilot with a major chain operating an integrated front-end system, it was necessary for Texas to execute a contract with Kroger's by August 1, 2003 otherwise, the necessary software development would not have occurred in a timely manner. Even though FNS has not issued a policy on the mixed basket concept, Texas moved forward and made a decision to require the mixed basket functionality based on the following influences:

1. Initial indications from FNS were that the mixed basket approach was the preferred approach for WIC EBT;
2. The ICL/Fujitsu software integration project sponsored by Lowe's Pay and Save already implemented a mixed basket approach;
3. Kroger's decided the mixed basket idea offered the optimum solution for its store operations;

4. Albertson's decided the mixed basket idea offered the optimum solution for its store operations.
5. Other major retail chains stated that the mixed basket solution was the preferred method to process WIC EBT transactions;
6. Retail grocery trade associations supported the mixed basket functionality;
7. The mixed basket process would minimize the focus on the participant;
8. The retail grocer community was asking for standards to be developed for WIC EBT;
9. In line with the FNS WIC EBT Vision, the State believes the mixed basket concept will improve service to retailers and minimize their oversight responsibilities of the WIC transaction; and
10. In line with the FNS WIC EBT Vision, the State believes the mixed basket concept will improve service to clients through faster transactions at the checkout lane, while minimizing the focus on the clients.

The retailers have stressed the importance of standards. For the National retail chains, the States must be able to inform the retailers and their software developers that the mixed basket process is, at best, a policy that will be standard from State-to-State, or else the software development costs increase significantly as WIC EBT expands to each additional State with no uniformity. If FNS decides not to require the mixed basket concept as a policy, then FNS should decide that the mixed basket approach is the preferred solution for WIC EBT systems. At the least, FNS should decide that the mixed basket functionality is an acceptable solution for WIC EBT. However, a decision by FNS that the mixed basket functionality is an acceptable solution for WIC EBT creates more problems than it solves because there would not be uniformity across all retailers. This last approach does nothing to create a standard for the retailers.

Under the mixed basket functionality, the WIC EBT software will establish WIC as the first tender type; Food Stamps as the second tender type; TANF as the third tender type; and other government benefits or cash as the tender type for all remaining items. As an item is scanned, the store's integrated system will attempt to first charge the item against the WIC Program benefits. If the item cannot be charged against the WIC Program benefits, the store's system will proceed to the second option, which is the Food Stamp Program benefits, etc.

This mixed basket process meets the WIC EBT guidelines for improving service to both WIC clients and to the retailers serving those WIC clients. The most obvious benefit to be realized by the client is that the WIC client becomes "mainstreamed" because the WIC EBT transaction does not appear to be different from any other electronic transaction

processed by the store. The most obvious benefit to be realized by the retailer is that the WIC EBT transaction occurs in much less time than the current WIC voucher, or paper, transaction.

Some States have argued against the idea of the mixed basket. The primary argument is that if the mixed basket becomes an FNS policy, then the nutrition education component of the WIC Program will be damaged. It should be noted that:

1. Nutrition education is presented in the WIC clinic.
2. Nutrition education is practiced in the home.
3. What is learned in the clinic is applied in the store.
4. The store is not a provider of nutrition education. It would be an exception to the rule if a State contracted with a retailer and required the retailer to provide nutrition education to the WIC participant.

Information learned in the clinic is used by the WIC participant to make purchase decisions about food items. The store is not the classroom for WIC nutrition education. The opposition to the mixed basket concept is that the WIC participant will be forced to purchase food items that the participant does not want to purchase at that time with WIC Program benefits. It is difficult to make a connection between this argument and the mixed basket process. Since the mixed basket process occurs after the WIC participant has made his/her food item selections, there is no conflict between education and benefit redemption. The retailer's checkout process has no influence on or nothing to do with the WIC participant's decision process.

New Mexico and Texas have required that prior to any WIC food items being decremented from the beginning card balance, the WIC EBT system must have the following functionality:

1. Allow the WIC participant to view all WIC items scanned for purchase, either individually or in total;
2. Allow the WIC participant to identify/request any item(s) be voided from the WIC purchase;
3. Allow the WIC participant to "approve" the WIC food purchase.
4. Enable any WIC-allowable items, initially voided from the WIC purchase, to be subsequently added to the non-WIC purchase, thus allowing the WIC participant to utilize other available tender types (i.e., Food Stamps, TANF, cash) in hierarchy order to purchase all remaining items.

This mixed basket concept does not prohibit WIC eligible food items from being separated prior to the transaction/redemption activity. Some clients will continue to separate items out of habit and some retailers may ask the client to do so, but it is not necessary under the mixed basket scenario. Nor does this mixed basket concept prevent software from being developed that allows the WIC participant to make a purchase acknowledgement as each WIC item is scanned or to make this acknowledgement after all WIC items have been scanned and before the transaction/redemption is finalized. Although the idea of allowing the WIC client to approve each individual item could be argued as being somewhat in conflict with the client services' statement contained in the WIC EBT Vision. It is emphasized again that separating and grouping are not components of nutrition education but are elements of productivity at the checkout lane.

Currently, it is not the business of the WIC Program to mandate how the retailer (vendor) must manage the WIC transaction at the checkout lane. The WIC participants are entitled to the same level of service as the store's non-WIC customers. Certainly in the paper voucher process, there are some government requirements, not nutrition education, the retailer must meet in order to execute an acceptable transaction for which the State will reimburse the retailer. For example, the retailer must record the purchase price of the WIC food item on the WIC paper voucher at time of purchase/redemption. However, neither the State nor the Federal government has an interest in when, during the purchase/redemption activity at the checkout lane, the price is recorded on the voucher. A retailer may elect to operate with a policy that the price is recorded as each individual WIC food item is processed in the lane or the retailer may elect to operate with a policy that all prices are recorded at the same time, at the conclusion of the purchase/redemption. Separating and grouping is not nutrition education, but it is time management in the store.

In an EBT environment, there will continue to be WIC Program requirements, not nutrition education requirements, the retailer must meet in order to execute a proper WIC transaction and submit a claim to the State. As noted above, one of the EBT system requirements is that the WIC participant must be able to identify/request any item(s) be voided from the WIC purchase. It is not the intent of government to mandate to the retailer how this functionality is to be accomplished, only that this functionality must be in the retailer's front-end checkout system. The void could occur at the item level or at the transaction level. As with the mixed basket functionality, or the separating and grouping functionality, the void functionality is not a component of nutrition education, but a store operating practice.

From the retailer's perspective, EBT is a technology that allows the retailer to more efficiently process a WIC transaction. Not surprisingly, the retail grocery industry has been asking FNS to create standards for WIC EBT systems. In keeping with the positive approach already adopted by FNS in establishing some standards for WIC EBT systems, FNS should mandate that the mixed basket is the standard for all WIC EBT integrated systems. Even though several of the major retailers have made the decision to pursue the mixed basket, those decisions do not ensure uniformity for WIC EBT. If FNS does not make a decision for the mixed basket and this decision is left to the States, and or the

retailers, then the result will be an undesirable patchwork of unlike systems that does not further the WIC vision. All interested parties are requesting that FNS make a decision as soon as possible.